

Message Text

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SUBJECT:DAF/MTC/77.4: MTC ACTION REMINDER

1. MISSION REQUESTED TO FORWARD TO MTC SECRETARIAT FOLLOW-
ING RESPONSES TO SECTIONS OF ACTION REMINDER ON "GENERAL
POLICY DISCUSSION" AND "STATE TRADING COUNTRIES (A)."
RESPONSE TO "GENERAL POLICY DISCUSSION" PREPARED IN ACCORD-
ANCE WITH OUTLINE CONTAINED IN DAF/MTC/76.43 "PROPOSALS ON
THE PROCEDURE FOR A SHIPPING POLICY DISCUSSION."

GENERAL POLICY DISCUSSION

PHASE I - MOST IMPORTANT DEVELOPMENTS IN THE INTERNATIONAL
SHIPPING POLICY FIELD.

A. DIFFICULTIES IN RELATION TO DIFFERENT GROUPS OF COUN-
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TRIES.

1) THE UNITED STATES HAS EXPERIENCED FEW DIFFICULTIES
IN ITS SHIPPING RELATIONS WITH THE LEAST DEVELOPED COUN-
TRIES AND WITH MOST OF THE OIL-PRODUCING DEVELOPING COUN-
TRIES; WE DO NOT ANTICIPATE SERIOUS PROBLEMS WITH THESE
CATEGORIES IN THE FORESEEABLE FUTURE. THE PRINCIPAL

PROBLEMS WITH THE DEVELOPING WORLD HAVE ARISEN IN RELATIONS WITH THOSE DEVELOPING COUNTRIES WHICH HAVE SUBSTANTIAL MERCHANT FLEETS OR ARE MAKING INTENSIVE EFFORTS TO BUILD UP THEIR MERCHANT FLEETS. THESE COUNTRIES ARE INCREASINGLY INTERESTED IN ATTEMPTING TO GUARANTEE CARGO FOR THEIR YOUNG FLEETS THROUGH CARGO-RESERVATION LAWS AND CARGO-SHARING SCHEMES. SUCH MEASURES ELIMINATE WHAT THE UNITED STATES REGARDS AS A DESIRABLE DEGREE OF COMPETITION AND FREEDOM OF SHIPPER CHOICE IN INTERNATIONAL SHIPPING AND ALSO CAN CREATE SERIOUS CONFLICTS OF LAW BETWEEN THOSE COUNTRIES AND THE UNITED STATES.

2) SHIPPING RELATIONS WITH COUNTRIES WITH CENTRALLY PLANNED ECONOMIES ALSO PRESENT CONSIDERABLE POLICY PROBLEMS. A MAJOR SOURCE OF PROBLEMS IS THESE COUNTRIES' POLICIES OF EFFECTIVELY RESERVING A LARGE PORTION OF THE CARGO IN THEIR BILATERAL TRADES FOR THEIR OWN VESSELS BY EXPORTING C.I.F. AND IMPORTING F.O.B. AND BY DENYING FOREIGN OPERATORS OPPORTUNITIES TO SOLICIT CARGO IN THESE TRADES. THE OTHER SOURCE OF DIFFICULTY IS THE OPERATION IN OTHER TRADES OF THEIR STATE-OWNED LINES AS THIRD-FLAG TRADERS, UNDERCUTTING TRADITIONAL OPERATORS WITH WHAT APPEAR TO BE PREDATORY RATES UNRELATED TO ACTUAL COSTS.

3) THE UNITED STATES HAS NOT EXPERIENCED SIGNIFICANT POLICY DISPUTES WITH OPEN REGISTRY COUNTRIES, ALTHOUGH IT IS CONCERNED THAT SUCH COUNTRIES INSTITUTE AND EFFECTIVELY ENFORCE ADEQUATE SAFETY AND ENVIRONMENTAL

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STANDARDS FOR VESSELS FLYING THEIR FLAGS. THE DEVELOPMENT OF "OPEN REGISTRY" MERCHANT FLEETS HAS, HOWEVER, INFLUENCED THE SIZE AND COMPOSITION OF THE U.S. MERCHANT MARINE. ALMOST ONE-HALF OF THE VESSELS OWNED BY U.S. CITIZENS ARE NOT REGISTERED UNDER THE U.S. FLAG, AND IN PARTICULAR, A LARGE PROPORTION OF OIL AND BULK CARRIERS OWNED BY U.S. CITIZENS ARE NOT UNDER U.S. REGISTRY.

B. IN MOST OF THE ABOVE CATEGORIES, THE PROBLEMS THE UNITED STATES HAS ENCOUNTERED HAVE LARGELY INVOLVED GENERAL LINER CARGO MOVEMENTS. A MAJOR EXCEPTION, HOWEVER, IS OUR RELATIONS WITH CERTAIN COUNTRIES WITH CENTRALLY PLANNED ECONOMIES, WHERE POLICY PROBLEMS HAVE ARISEN IN CONNECTION WITH DRY BULK SHIPPING.

C. WITHIN CATEGORY SUB A, MOST OF THE DIFFICULTIES ENCOUNTERED HAVE ARISEN AS A RESULT OF REGULATIONS OR POLICIES PROMULGATED BY GOVERNMENTS.

STATE TRADING COUNTRIES

A) INFORMATION ON BILATERAL NEGOTIATIONS AND OTHER

IMPORTANT DEVELOPMENTS.

THE UNITED STATES ON NOVEMBER 18, 1976 OPENED ITS PORTS ON A FOURTEEN-DAY ADVANCE REQUEST BASIS TO VESSELS OF THE GERMAN DEMOCRATIC REPUBLIC. THIS WAS A ROUTINE STEP FOLLOWING ON THE ESTABLISHMENT OF DIPLOMATIC RELATIONS BETWEEN THE UNITED STATES AND THE GERMAN DEMOCRATIC REPUBLIC AND DID NOT INVOLVE AN AGREEMENT BETWEEN THE TWO COUNTRIES. THE GDR HAS ASSURED THE UNITED STATES THAT U.S. VESSELS MAY CALL AT GDR PORTS ON A RECIPROCAL BASIS.

AS USUAL, THE UNITED STATES DELEGATION WILL PROVIDE UPDATED ORAL REPORTS ON US-USSR SHIPPING RELATIONS AND ANY UNCLASSIFIED

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OTHER SIGNIFICANT DEVELOPMENTS IN UNITED STATES BILATERAL RELATIONS WITH STATE TRADING COUNTRIES AT THE MEETING OF THE MARITIME TRANSPORT COMMITTEE.

2. DEPARTMENT WILL FORWARD RESPONSES TO REMAINING OUTSTANDING ITEMS IN DAF/MTC/77.4, "STATE TRADING COUNTRIES (B)" AND "FINANCIAL ASSISTANCE TO SHIPOWNERS", AS SOON AS INFORMATION AVAILABLE.
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